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74-0066

Examination Of Financial Statements
Government Services, Inc.
Year Ended December 31, 1973

B-114820

BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

904715

090434

APRIL 9, 1974



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-114820

To
The Board of Trustees
Government Services, Inc. C. 2159

The General Accounting Office has made an audit, pursuant to your request, of GOVERNMENT SERVICES, INC.--a private, domestic, nonstock, non-profit-sharing membership corporation-- for the year ended December 31, 1973.

The audit included an examination of the corporation's statement of financial position as of December 31, 1973, and related statements of income and expense and of changes in financial position for the year then ended. The examination was made in accordance with generally accepted auditing standards and included such tests of the accounting records and other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements (schs. 1 through 4) present fairly the financial position of Government Services, Inc., at December 31, 1973, and the results of its operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A handwritten signature in dark ink, reading "Thomas B. Staats".

Comptroller General
of the United States

C o n t e n t s

Page

FINANCIAL STATEMENTS

SCHEDULE

| | | |
|---|---|---|
| 1 | Comparative statement of financial position, December 31, 1973 and 1972 | 3 |
| 2 | Comparative statement of income and expense, years ended December 31, 1973 and 1972 | 4 |
| 3 | Statement of changes in financial position, year ended December 31, 1973 | 5 |
| 4 | Comparative statement of income and expense by division, for the years ended December 31, 1973 and 1972 | 6 |
| | Notes to financial statements | 7 |

FINANCIAL STATEMENTS

G O V E R N M E N T S E R V I C E S , I N C .

COMPARATIVE STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 1973 AND 1972

A S S E T S

| | <u>1973</u> | <u>1972</u> |
|---|--------------|--------------|
| CURRENT ASSETS: | | |
| Cash | \$ 575,607 | \$ 967,782 |
| Accounts receivable | 497,220 | 434,228 |
| Inventories (note 1): | | |
| Merchandise | 1,177,622 | 1,035,543 |
| Supplies | 301,641 | 247,157 |
| | 1,479,263 | 1,282,700 |
| Prepaid expenses and other current assets | 150,496 | 104,193 |
| Total current assets | 2,702,586 | 2,788,903 |
| INVESTMENTS: | | |
| Certificates of deposit (note 1) | 2,710,000 | 1,810,000 |
| LAND | 376,151 | 371,503 |
| BUILDINGS AND EQUIPMENT: | | |
| Buildings | 1,250,805 | 1,250,805 |
| Operating equipment | 5,032,459 | 4,902,218 |
| Leasehold improvements (note 2) | 4,539,430 | 4,042,610 |
| | 10,822,694 | 10,195,633 |
| Less accumulated depreciation (note 1) | 6,844,393 | 6,520,520 |
| | 3,978,301 | 3,675,113 |
| DEFERRED EXPENSES | 352,900 | 184,761 |
| Total assets | \$10,119,938 | \$ 8,830,280 |

The notes following schedule 4 are an integral part of this statement.

BEST DOCUMENT AVAILABLE

LIABILITIES AND ACCUMULATED INCOME

| | <u>1973</u> | <u>1972</u> |
|---|---------------------|---------------------|
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 828,585 | \$ 1,228,757 |
| Accrued franchise fees | 148,886 | 123,901 |
| Accrued taxes | 199,019 | 163,787 |
| Payroll deductions withheld | 158,558 | 78,810 |
| Fringe benefits payable | 83,792 | 43,846 |
| Other current liabilities | 129,776 | 102,363 |
| Accrued payroll | <u>318,691</u> | <u>-</u> |
| Total current liabilities | <u>1,867,307</u> | <u>1,741,464</u> |
| RESERVES: | | |
| For replacement or major repair of Government-owned equipment (note 3) | 257,416 | 461,745 |
| For replacement of National Gallery of Art equipment | 7,363 | 676 |
| For replacement of National Bureau of Standards equipment | 14,043 | 8,695 |
| For replacement of Government equipment-- other independent contracts | 8,242 | 3,139 |
| Self-insurance (note 1) | 103,745 | 98,109 |
| Special retirement benefits | <u>854</u> | <u>11,382</u> |
| | <u>391,665</u> | <u>583,746</u> |
| ACCUMULATED INCOME: | | |
| Balance at beginning of year | 6,505,070 | 5,398,015 |
| Net income for year | <u>1,355,898</u> | <u>1,197,055</u> |
| Balance at end of year | <u>7,860,968</u> | <u>6,595,070</u> |
| Total liabilities and accumulated income | <u>\$10,119,938</u> | <u>\$ 8,850,280</u> |

SCHEDULE 2

GOVERNMENT SERVICES, INC.

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

YEARS ENDED DECEMBER 31, 1973 AND 1972

| | 1973 | 1972 |
|--|---------------------|---------------------|
| NET SALES AND OPERATING INCOME | \$28,370,689 | \$26,990,130 |
| Less cost of goods sold | <u>10,519,632</u> | <u>9,704,528</u> |
| Gross profit on sales | 17,851,057 | 17,285,602 |
| OPERATING EXPENSES: | | |
| Payroll and related expenses | \$12,260,162 | \$11,950,398 |
| Employee travel | 36,651 | 52,020 |
| Operating supplies | 1,121,962 | 1,102,663 |
| Utilities and other services | 882,270 | 818,995 |
| Maintenance and repairs | 360,194 | 322,905 |
| Replacement and major repair of Government-owned equipment (note 3) | 264,578 | 267,900 |
| Equipment rental | 79,200 | 72,915 |
| Depreciation of buildings and equipment and amortization of leasehold improvements | 464,976 | 434,941 |
| Franchise fees and rent | 149,306 | 124,580 |
| Taxes and licenses | 235,730 | 242,003 |
| Insurance | 305,557 | 298,184 |
| Professional services | 311,012 | 241,483 |
| Advertising and promotion | 102,103 | 112,651 |
| Donations | 6,202 | 19,360 |
| Other expenses (note 4) | <u>255,844</u> | <u>291,191</u> |
| Net operating income | 1,035,310 | 933,413 |
| OTHER INCOME | <u>320,588</u> | <u>173,642</u> |
| Net income | <u>\$ 1,355,898</u> | <u>\$ 1,107,055</u> |

The notes following schedule 4 are an integral part of this statement.

GOVERNMENT SERVICES, INC.

STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED DECEMBER 31, 1973

FUNDS PROVIDED:

| | |
|--------------------------------|----------------|
| Net sales and operating income | \$28,370,689 |
| Other income | 320,588 |
| Decrease in working capital | <u>212,160</u> |

| | |
|----------------------|---------------------|
| Total funds provided | <u>\$28,903,437</u> |
|----------------------|---------------------|

FUNDS APPLIED:

| | |
|--------------------|-------------------|
| Cost of sales | \$10,519,632 |
| Operating expenses | <u>16,815,747</u> |

| | |
|-------|------------|
| Total | 27,335,379 |
|-------|------------|

Less expenses not requiring the
expenditure of funds:

| | | |
|--|---------------|----------------|
| Depreciation of buildings and equipment and amortization of leasehold improvements | \$464,976 | |
| Provision for self-insurance | 5,636 | |
| Provision for replacement and major repair of Government- owned equipment | 264,577 | |
| Write off of book value of fixed assets disposed of during the year | <u>23,759</u> | <u>758,948</u> |

| | |
|--|------------|
| | 26,576,431 |
|--|------------|

| | |
|--|---------|
| Replacement of Government-owned equipment - GSA | 450,294 |
|--|---------|

| | |
|---|-------|
| Replacement of Government-owned equipment - National Gallery of Art | 1,474 |
|---|-------|

| | |
|---|---------|
| Increase in operating equipment and leasehold improvements | 791,923 |
|---|---------|

| | |
|---|--------|
| Reduction of special retirement fund | 10,528 |
|---|--------|

| | |
|-------------------------------|---------|
| Increase in deferred expenses | 168,139 |
|-------------------------------|---------|

| | |
|--|---------|
| Increase in certificates of deposit | 900,000 |
|--|---------|

| | |
|--|--------------|
| Reclassification of capital expenditure - prior years | <u>4,648</u> |
|--|--------------|

| | |
|---------------------|---------------------|
| Total funds applied | <u>\$28,903,437</u> |
|---------------------|---------------------|

The notes following schedule 4 are an integral part of this statement.

GOVERNMENT SERVICES, INC.

COMPARATIVE STATEMENT OF INCOME AND EXPENSE BY DIVISION

FOR THE YEARS ENDED DECEMBER 31, 1973 AND 1972

| | Consolidated total | | Operations Division (note a) | | Recreation and Parks Division (note b) | | Miscellaneous Division (note c) | |
|-------------------------------|--------------------|--------------|---------------------------------|--------------|---|-------------|------------------------------------|---------------------|
| | 1973 | 1972 | 1973 | 1972 | 1973 | 1972 | 1973 | 1972 |
| SALES | \$28,370,689 | \$26,990,130 | \$20,398,750 | \$19,927,275 | \$7,918,288 | \$7,013,368 | \$ 53,651 | \$49,487 |
| LESS OPERATING EXPENSES: | | | | | | | | |
| Cost of goods sold | 10,519,632 | 9,704,528 | 7,919,808 | 7,382,705 | 2,599,824 | 2,321,823 | - | - |
| Other operating expenses | 16,815,747 | 16,352,189 | 12,489,834 | 12,363,688 | 4,300,804 | 3,942,894 | 25,109 | 45,607 |
| | 27,335,379 | 26,056,717 | 20,409,642 | 19,746,393 | 6,900,628 | 6,264,717 | 25,109 | 45,607 |
| INCOME (LOSS) FROM OPERATIONS | 1,035,310 | 933,413 | (10,892) | 180,882 | 1,017,660 | 748,651 | 28,542 | 3,880 |
| OTHER INCOME | 320,588 | 173,642 | 9,294 | 5,185 | 98,158 | 91,785 | ^d 213,136 | ^d 76,672 |
| Net income or (loss) | \$ 1,355,898 | \$ 1,107,055 | \$ (1,598) | \$ 186,067 | \$1,115,818 | \$ 840,436 | \$241,678 | \$80,552 |

^aThe Operations Division includes all GSI cafeterias and snack bars.

^bThe Recreation and Parks Division includes GSI operations at Fontana, North Carolina, Sequoia/Kings Canyon National Park, Mt. Ranier National Park, and metropolitan parks in Washington, D.C.

^cThe Miscellaneous Division includes GSI operations at the Warrenton Training Center, the Armed Forces Experimental Training Activity, and the Miscellaneous Office Unit.

^dOther income of the Miscellaneous Division includes interest on investments of \$168,304 for 1973 and \$71,612 for 1972. In addition, the 1973 figure includes \$40,000 recovered as salvage value on real property at Bear Creek Junction which was written off in 1971.

The notes following schedule 4 are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Inventories

Inventories are valued at cost or average cost except items stored at or issued by the Commissary which are subject to a standard pricing method. At time of purchase, invoice price is compared to standard and any variation is applied to operations in the accounting period in which the inventory is received.

b. Investments

Investments appearing on the GSI balance sheet are currently limited to Certificates of Deposit shown at face value.

c. Depreciation

GSI depreciates its buildings, equipment, leasehold improvements, furniture and fixtures over a life expectancy from 1 to 35 years under the straight line basis. Special treatment is given to small equipment such as glassware, chinaware, silverware, trays and kitchen utensils. These are depreciated to 50 percent of original cost over 5 years and the balance remains on the ledgers until such time the facility changes its mode of operation or closes. In the meantime, as items wear out, become obsolete, or disappear, replacement cost is charged to current operating expense.

d. Reserve for self-insurance

The self-insurance reserve has been established to cover certain deductible provisions under insurance policies and such other coverages as may be dictated by management. The self-insurance coverage is limited to GSI-owned property and supplies, not including general liability. The annual reserve provision is determined from price quotations obtained from various insurance carriers.

2. Under the terms of a 30-year lease and conveyance agreement with the Tennessee Valley Authority (TVA), GSI acquired title to recreational facilities of Fontana Village, North Carolina. The agreement also specifies